

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

NAZOMI COMMUNICATIONS, INC.,

Plaintiff,

v.

ARM HOLDINGS PLC, et al.,

Defendants.

Case No. C 02-02521-JF

ORDER DENYING
DEFENDANTS' MOTION FOR
INTERIM PROTECTIVE
ORDER (Docs. 18, 24)

I. INTRODUCTION

Defendants ARM Holdings PLC, et al. ("ARM") move for an interim protective order governing the disclosure of confidential information. Plaintiff Nazomi Communications, Inc. ("Nazomi") opposes the entry of ARM's proposed interim protective order. The parties briefed the present motion and appeared for oral argument on October 9, 2002. Based on the foregoing, defendants' motion is denied.

II. BACKGROUND

Nazomi owns U.S. Patent No. 6,332,215 (the "'215" patent) entitled "Java Virtual Machine Hardware for RISC and CISC Processors." The '215 patent was issued on December 18, 2001. On May 23, 2002, Nazomi filed suit against ARM alleging infringement of the '215 patent. ARM

1 counterclaimed, seeking a declaratory judgment of invalidity and noninfringement. The parties have held a
2 Rule 26(f) meeting, but have been unable to agree on the language of a protective order.

3 ARM contends that any protective order issued in this case (both interim and permanent) must
4 contain two provisions. First, ARM seeks a patent prosecution bar, preventing attorneys who access
5 confidential information from prosecuting patents “related to computer processor technology.” This
6 restriction would remain in effect during the litigation and for one year after the litigation ends. Second,
7 ARM seeks a license negotiation bar, preventing attorneys who access confidential information from
8 becoming “involved in the negotiation of licenses for any party against the parties to this action” The
9 license negotiation bar would remain in effect during the litigation and for five years after the litigation ends.
10 ARM believes that these provisions are necessary to protect its intellectual property.

11 The law firm of Cooley Godward LLP (“Cooley”) represents Nazomi in this litigation. Cooley
12 asserts in an uncontroverted declaration that it does not prosecute patents on behalf of Nazomi, and ARM
13 does not allege that any member of the Cooley litigation team is involved in competitive decisionmaking on
14 behalf of Nazomi.¹ Nor does ARM allege that any Nazomi employee (in-house counsel or otherwise)
15 would have access to information designated as “Confidential -- Outside Attorneys Eyes Only” under a
16 protective order. From the record, Cooley appears to be “outside counsel” in the truest sense of the
17 phrase. ARM seems to argue that any Cooley attorney who subsequently prosecutes patents in the field of
18 computer processors or who negotiates licenses against ARM retroactively becomes a competitive
19 decisionmaker for the client involved. ARM does not evaluate the fitness of any particular member of the
20 Cooley litigation team to view confidential information. Rather, ARM proposes a prospective bar on any
21 attorney who reviews its confidential material.

22
23
24 **III. STANDARD**
25
26

27
28 ¹ Based on the factual record in this matter, the Court does not address in this order the
issue of whether a patent prosecution bar would be appropriate where outside counsel is actively
and contemporaneously prosecuting patents on the client’s behalf.

Discovery analysis starts with the general proposition that “[p]arties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party” Fed. R. Civ. Proc. 26(b)(1). Upon good cause shown, a party may seek a protective order “that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a designated way” Fed. R. Civ. Proc. 26(c)(7). The Local Rules of Practice for Patent Cases in the Northern District of California address the situation where confidential disclosure occurs before entry of a protective order: “until a protective order is issued by the Court, the document shall be marked ‘confidential’ . . . by the disclosing party and disclosure of the confidential document or information shall be limited to each party’s outside attorney(s) of record and the employees of such outside attorney.” Patent L.R. 2-2.

IV. ANALYSIS

In certain circumstances, the designation “Attorneys Eyes Only” does not provide sufficient protection for a party responding to a discovery request that seeks confidential information. When opposing counsel is involved in the competitive decisionmaking of its client, a party responding to a discovery request may rightfully question whether that attorney should be denied access to confidential documents. In U.S. Steel Corp. v. United States, the Federal Circuit described competitive decisionmaking as “a counsel’s activities, association, and relationship with a client that are such as to involve counsel’s advice and participation in any or all of the client’s decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor.” 730 F.2d 1465, 1468 n.3 (Fed. Cir. 1984). U.S. Steel warns against making a controlling distinction between in-house and outside counsel and urges the analysis to be based on “the facts on a counsel-by-counsel basis” Id. at 1468. The danger in allowing competitive decisionmakers access to confidential information stems from the fact that those attorneys, even when exercising good faith and diligence, may inadvertently disclose confidential information to their clients. Id. When evaluating a protective order which seeks to bar attorney access to confidential information, a court first looks at the risk of inadvertent disclosure, and then examines the potential injury from such disclosure. *See Intel v. VIA*, 198 F.R.D. 525, 529-31 (N.D. Cal. 2000). These factors are balanced against the plaintiff’s ability to prosecute its case should the court impose an access bar. Brown Bag Software v. Symantec, 960 F.2d 1465, 1471 (9th Cir. 1992).

A. Patent Prosecution Bar

ARM's proposed protective order would prohibit Cooley attorneys from prosecuting patents in the field of computer processor technology for the life of the litigation plus one year. The proposed bar not only prohibits those attorneys from prosecuting patents on behalf of Nazomi, but purports to prohibit prosecution in the relevant subject area for any client. ARM argues that the "case law is clear that patent prosecutors pose a substantial risk of accidental or inadvertent use of confidential information and should be prevented from obtaining confidential information through litigation" The case law ARM cites does not support this contention. Rather, all stand for the proposition that patent prosecution *on behalf of a client* may constitute competitive decisionmaking for that client and is a factor that could support an access bar.² Patent prosecution on behalf of a client, however, is not a *per se* indication that counsel is a competitive decisionmaker. See Interactive Coupon Marketing Group, 1999 U.S. Dist. LEXIS 12437 at *8 ("The court is not persuaded that it is appropriate to disqualify patent prosecution counsel from an active role in its client's litigation as a matter of course.").

In the present case, Cooley asserts in an uncontroverted declaration that it does not prosecute patents for Nazomi and has not been retained to handle any work for Nazomi except this case. The Cooley lawyers involved in this litigation, therefore, cannot be considered competitive decisionmakers for Nazomi based on their general patent prosecution practice. A protective order barring attorneys who are not competitive decisionmakers from accessing confidential information would require a departure from the analysis set forth in U.S. Steel and Brown Bag Software. This departure would presume that attorneys are unable to abide by both the terms of the protective order and the Rules of Professional Conduct. Such a presumption stands in opposition to the leading cases in this area which presuppose fidelity to ethical duties

² See Interactive Coupon Marketing Group, Inc. v. H.O.T! Coupons, LLC, 1999 U.S. Dist. LEXIS 12437 (N.D. Ill. 1999) (plaintiff's patent prosecution counsel denied access to confidential information where the risk of inadvertent disclosure to defendant's competitor outweighed the risk of impairing the litigation process); In re Papst Licensing, GmbH, Patent Litig., 2000 U.S. Dist. LEXIS 6374 (E.D. La. 2000) (outside counsel restricted from prosecuting patents for its client related to the patents in suit); Davis v. AT&T Corp., 1998 U.S. Dist. LEXIS 20417 (W.D.N.Y. 1998) (plaintiff-inventor restricted from filing, preparing or prosecuting patents in the subject field during the litigation and for two years after termination of the suit); Motorola, Inc. v. Interdigital Tech. Corp., 1994 U.S. Dist. LEXIS 20714 (D. Del. 1994) (plaintiff's outside counsel receiving confidential information prohibited from prosecuting patents for the plaintiff related to the subject matter of the suit during the litigation and for one year after termination of the suit).

1 and bar access only when there is a significant danger of inadvertent disclosure. Such a situation only arises
2 when “a counsel’s activities, association, and relationship with a client” lead to an increased likelihood of
3 inadvertent disclosure. U.S. Steel, 730 F.2d 1465, 1468 n.3. Here, Cooley’s relationship with Nazomi
4 appears to be solely that of litigation counsel. The risk of inadvertent disclosure of ARM’s confidential
5 information is slight. A prospective bar prohibiting Cooley attorneys from prosecuting patents on behalf of
6 other clients is not warranted. ARM’s motion for an interim protective order containing a patent
7 prosecution bar is denied.

8 **B. License Negotiation Bar**

9 The proposed license negotiation bar precludes any attorney who views confidential information
10 from engaging in license negotiation against ARM for the life of the litigation plus five years. To support this
11 bar, ARM relies on the case of Intel v. VIA, 198 F.R.D. 525 (N.D. Cal. 2000). In Intel, a patent
12 infringement case, the court refused to modify a protective order to allow plaintiff’s in-house counsel to
13 view defendant’s confidential information. Id. at 532. The court determined that plaintiff’s in-house
14 counsel was a competitive decisionmaker because she was actively involved in the negotiation of licensing
15 agreements. Id. at 530. The court went on to find that the potential injury from inadvertent disclosure to
16 the defendant was great because it was the only competitor of the market-dominant plaintiff. Id. As with
17 patent prosecution, attorneys who both litigate and negotiate licenses for a client may be considered
18 decisionmakers under a U.S. Steel analysis. However, ARM does not allege that Cooley negotiates
19 licenses on behalf of Nazomi. Instead, ARM again seeks to depart from the traditional analysis related to
20 barring access under protective orders and actively preclude attorneys from practice in the future. Nazomi
21 argues, and ARM conceded at oral argument, that no published case law directly supports such a
22 prospective license negotiation bar.

23 Since Cooley’s general licensing practice does not make it some kind of free floating competitive
24 decisionmaker, the license negotiation bar would depart from U.S. Steel and Brown Bag Software. Such a
25 departure would be improvident. First, as stated above, the bar presupposes that attorneys would not fulfill
26 their ethical obligations. Second, the bar would restrict Cooley’s right to practice adverse to ARM in future
27
28

1 representation of other clients unrelated to the current dispute.³ ARM is not concerned with inadvertent
2 disclosure from attorney to client, but fears that Cooley attorneys may at some point in the future
3 improperly use its confidential information. ARM seeks an access bar to allay this fear. However, the
4 general rule is that attorneys operating under a protective order will properly handle confidential
5 information. This rule is applicable unless ARM makes a showing that the risk of inadvertent disclosure
6 from attorney to client is so great that an access bar must be imposed. ARM has failed to make such a
7 showing.

8 Therefore, it is, hereby,

9 ORDERED:

10 (1) Defendants' Motion for Interim Protective Order is DENIED;

11 (2) The parties shall submit to the Court a Joint Proposed Protective Order (or individual
12 Proposed Protective Orders) no later than October 28, 2002;

13 (3) Until a protective order is issued in this case, all document production shall be conducted
14 pursuant to Patent L.R. 2-2.

15 IT IS SO ORDERED.

16
17 DATED: October 11, 2002

/s/ Richard Seeborg
RICHARD SEEBORG
UNITED STATES MAGISTRATE JUDGE

18
19
20
21
22
23
24
25
26

³ As drafted, ARM's proposed license negotiation bar does not contain a subject matter
27 restriction. Rather, the bar prohibits attorneys who view confidential information from negotiating
28 licenses against ARM related to any matter. Although not ruling on the issue, such a restriction
implicates California's ethical rules which prohibit agreements restricting the right of a bar member
to practice law. Cal. R. Prof. Conduct 1-500.